

Message Text

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ACTION EB-08

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EXCON

E.O. 11652: NA
TAGS: ESTC, JA
SUBJECT: DIB-678P PROCEDURE: KINKO INC.

REF: A) STATE 209120, B) TOKYO 13078

1. EMBASSY RECOMMENDS THAT KINKO INC., AOYAMA BLDG.,
2-3, KITA AOYAMA 1-CHOME, MINATO-KU, TOKYO, JAPAN BE
ACCEPTED AS A PARTICIPANT UNDER THE DIB-678P PROCEDURE.
KINKO APPEARS TO MEET REQUIREMENTS OF EXPORT ADMINI-
STRATION REGULATIONS, PART 373.3, IN TERMS OF (A) DIRECT
APPOINTMENT AS A DISTRIBUTOR BY AN AMERICAN EXPORTER,
(B) STATUS OF DISPOSITION OF LARGE-SIZED INTEGRATED
CIRCUITS (LSI'S) TO BE IMPORTED FROM ADVANCED MICRO
DEVICES (AMD) INC., SYNNEYVALE, CALIF. AND (C) PREREQUISITE
VOLUME OF BUSINESS.

2. DIRECTOR MASAOKI TAKETOMO OF KINKO INC., STATED
THE FOLLOWING CONCERNING ITS RELATIONS WITH AMD INC.:

- (A) AN AGREEMENT WAS RECENTLY MADE BETWEEN KINKO,
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AMD INC., AND AMD JAPAN K. K. (SEE PARA 2-A, REFTEL B)
UNDER WHICH KINKO IS DESIGNATED BY AMD INC., AS A
DISTRIBUTOR AND DIRECT IMPORTER OF AMD LSI'S FOR MICRO-
COMPUTER USE WITHOUT PASSING THROUGH AMD JAPAN. THE
EXPANDED DISTRIBUTOR AGREEMENT WILL BE FORMALLY SIGNED
BETWEEN KINKO AND AMD INC., IN SEPTEMBER.

- (B) EXCEPT FOR A VERY SMALL QUANTITY TO BE KEPT BY KINKO ENGINEERING CO., LTD. (SEE PARA 3 BELOW), KINKO'S WHOLLY-OWNED SUBSIDIARY, ALL LSI KITS TO BE IMPORTED FROM AMD INC., BY AIR UNDER THE DIB-678P PROCEDURE WILL BE PLACED IN BOND AT TOKYO INTERNATIONAL AIRPORT AND SHIPPED BY KINKO TO TIAGOG ELECTRONIC CO., LTD. (TEC), NO. 203, PING-HO ROAD, HSIAO KONG, KAOHSIUNG, HSIEN, TAIWAN, TOGETHER WITH PRINT CIRCUIT BOARDS, SWITCHES AND OTHER DEVICES PURCHASED BY KINKO FROM DOMESTIC MANUFACTURERS. AMD LSI'S AND OTHER DEVICES WILL BE INCORPORATED INTO MICROCOMPUTER-OPERATED CHESS AND BACKGAMMON GAME MACHINES AT TEC'S PLANT FOR EXPORT TO CATALOG SALES COMPANIES IN THE U.S. AND WEST GERMANY. TEC, A MANUFACTURER OF VARIOUS GAME MACHINES, WAS ESTABLISHED IN 1957 AS A JOINT VENTURE BY LOCAL CAPITALISTS AND CHANNEL MASTER, ELLENVILLE, N.Y., AN AMERICAN MAKER OF HOME ENTERTAINMENT PRODUCTS. KINKO ENGINEERING PROVIDES TECHNICAL GUIDANCE AND KINKO INC., IS A SUPPLIER OF LSI'S AND OTHER COMPONENTS FOR TEC'S ASSEMBLY LINES.

- (C) ORIGINALLY, KINKO PURCHASED LSI'S FOR DELIVERY TO TEC FROM NIPPON ELECTRIC CO., LTD. (NEC), 5-33-1, SHIBA, MINATO-KU, TOKYO, JAPAN (SEE TOKYO 18954, 12/8/77 FOR EMBASSY WTDR), BUT SWITCHED TO AMD JAPAN K. K., IN NOVEMBER 1977, AS PRICES BECAME MORE COMPETITIVE. BETWEEN NOVEMBER 1977 AND JUNE 1978, 6,000 AMD-MADE LSI UNCLASSIFIED

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KITS WERE PURCHASED FROM AMD JAPAN AND DELIVERED TO TEC BY KINKO. IN ADDITION, THE ARRANGEMENT DESCRIBED PARA 2-(A) PERMITS KINKO TO AVOID THE 12 PCT IMPORT DUTY FACTOR IN AMD JAPAN'S SELLING PRICE AND DIRECT DOLLAR SETTLEMENTS WITH AMD INC.

- (D) AMD INC. SUBMITTED A DIB-678P IN ORDER TO FACILITATE DIRECT SHIPMENTS TO KINKO BECAUSE OF THE RAPID INCREASE IN VOLUME OF TEC'S ORDERS WITH KINKO FOR AMD LSI'S. TEC IS PLANNING TO USE 350,000 LSI'S OBTAINED FROM KINKO TO ASSEMBLE 50,000 CHESS GAMES. 38,000 SETS WILL GO TO FIVE AMERICAN CUSTOMERS INCLUDING J. C. PENNY AND SEARS ROEBUCK AND 12,000 SETS TO ONE WEST GERMAN CUSTOMER BETWEEN OCTOBER 1978 AND MARCH 1979. TEC IS ALSO SCHEDULED TO START SHIPPING COMPUTERIZED BACKGAMMON GAME MACHINES TO ITS AMERICAN CUSTOMERS FROM APRIL 1979. AFTER APRIL 1979 KINKO'S DELIVERIES TO TEC OF IMPORTED AMD LSI'S WILL AMOUNT TO 70,000 KITS PER MONTH WORTH \$1.75 MILLION FOR CHESS GAMES AND 20,000 KITS WORTH \$0.5 MILLION FOR BACKGAMMON GAME MACHINES.

3. KINKO INC., WITH 70 EMPLOYEES, WAS FOUNDED IN NOVEMBER 1970 AND IS CAPITALIZED AT 10 MILLION YEN. THE FIRM IS ENGAGED IN EXPORT OF AUTOMOTIVE PARTS AND OTHER MACHINERY, IMPORT OF ELECTRONIC COMPONENTS, MARINE PRODUCTS, AND DOMESTIC DISTRIBUTION OF OFFICE SUPPLIES, HOUSEHOLD GOODS, CONSTRUCTION MATERIALS AND OTHER EQUIPMENT. THE FIRM HAS A WHOLLY-OWNED SUBSIDIARY, KINKO ENGINEERING CO., LTD., SHARING THE SAME BUILDING WHICH IS A MANUFACTURER OF COMPUTERIZED GAME MACHINES FOR THE DOMESTIC MARKET. THE EMBASSY FOUND NO DEROGATORY INFORMATION CONCERNING KINKO INC. MANSFIELD

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